



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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January 28, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **SOUTH CENTRAL HEALTH AND REHABILITATION PROGRAM
CONTRACT REVIEW – A DEPARTMENT OF CHILDREN AND FAMILY
SERVICES AND MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal review of South Central Health and Rehabilitation Program (SCHARP or Agency) to determine the Agency's compliance with two separate County contracts. The Agency contracts with the Department of Children and Family Services (DCFS) to operate the Wraparound Approach Services (Wraparound) Program to provide services to children and their families such as therapy, housing, education and social assistance. The Agency also contracts with the Department of Mental Health (DMH) to provide mental health services that include interviewing program participants, assessing their mental health needs, and developing and implementing a treatment plan. The purpose of our review was to determine the appropriateness of the services provided based on available documentation and the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

DCFS paid SCHARP approximately \$285,000 on a fee-for-service basis for Fiscal Year (FY) 2009-10. DMH paid SCHARP approximately \$7.1 million on a cost-reimbursement basis for FY 2009-10. The Agency's headquarters is located in the Second District.

Results of Review

DMH Program Review

SCHARP staff assigned to the DMH program possessed the required qualifications. However, SCHARP did not always comply with the County contract requirements and did not implement two DMH program findings related to a FY 2005-06 monitoring review. Specifically, SCHARP:

- Did not adequately describe the symptoms and behaviors in the Assessments to support the Agency's clinical diagnosis for 19 (76%) of the 25 clients sampled.

SCHARP's attached response indicates that they will provide additional training for the staff and provide more immediate feedback to staff on areas needing improvement.

- Did not complete Client Care Plans for 16 (64%) of the 25 clients sampled in accordance with the County contract. The Client Care Plans were not individualized and did not relate to the clients' needs identified in their Assessments.

SCHARP's attached response indicates that they will provide additional training for the staff and provide more immediate feedback to staff on areas needing improvement.

- Did not meet the staffing level requirements for two (40%) of the five service days sampled for the Day Treatment Intensive (DTI) Program.

SCHARP's attached response indicates that they will ensure that appropriate DTI Program staffing levels are maintained using qualified staff.

DMH and DCFS Wraparound Programs Fiscal Review

SCHARP maintained adequate controls over cash and liquid assets and the DCFS Wraparound Program expenditures were allowable, properly documented and accurately charged to the program. However, SCHARP charged DMH \$11,701 in questioned costs and did not always comply with other County contract requirements. Specifically, SCHARP:

- Allocated \$9,385 to the DMH program for leasing a facility not used by the DMH program in FY 2009-10.

SCHARP's attached response indicates that they will reduce their FY 2009-10 DMH program expenditures by \$9,385.

- Charged DMH \$2,316 for expenditures that were not supported by the consultant agreements.

SCHARP's attached response indicates that they will reduce their FY 2009-10 DMH program expenditures by \$2,316.

- Did not maintain an independent Board of Directors. Specifically, three (60%) of the five board members were also employed as the co-Directors and the Executive Administrator. The California Corporations Code does not allow more than 49% of the board members to be "interested persons". "Interested persons" include any director who has received payment for services rendered within the past 12 months whether as an employee or an independent contractor.

SCHARP's attached response indicates that they will ensure that the composition of the Board will conform to the California Corporation Code.

- Did not implement two recommendations related to our prior contract monitoring report.

SCHARP's attached response indicates that they will continue to implement corrections from the previous review.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with SCHARP, DMH and DCFS. In the attached response, the Agency concurred with our recommendations and agreed to reduce their FY 2009-10 DMH program expenditures by \$11,701 (\$9,385 + \$2,316). DMH will follow-up to ensure that the recommendations are implemented.

We thank SCHARP management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Antonia Jiménez, Acting Director, Department of Children and Family Services
Dr. Marvin J. Southard, Director, Department of Mental Health
Bert Y. Kawahara, J.D, CPA, Board Chairman, SCHARP
Dr. Jack Barbour, Co-Director, SCHARP
Dr. Reta Floyd, Co-Director, SCHARP
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
SOUTH CENTRAL HEALTH AND REHABILITATION PROGRAM
FISCAL YEAR 2009-10**

BACKGROUND/PURPOSE

Under the Department of Children and Family Services (DCFS) Wraparound Approach Services (Wraparound) Program, South Central Health and Rehabilitation Program (SCHARP or Agency) provides individualized services to children and their families such as therapy, housing, educational and social assistance. Under the contract with the Department of Mental Health (DMH), SCHARP provides mental health services, which include interviewing program participants, assessing their mental health needs, and developing and implementing a treatment plan.

The purpose of our program review of the mental health services was to determine the appropriateness of the services provided based on available documentation. This included a review of the Agency's billings, participant charts, and personnel and payroll records. We also interviewed Agency's staff.

The purpose of our fiscal review of the DCFS Wraparound Program and mental health services was to determine whether SCHARP appropriately accounted for and spent Wraparound and DMH funds. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed Agency staff.

BILLED SERVICES

Objective

Determine whether SCHARP provided the services billed in accordance with their contract with DMH.

Verification

We selected 40 billings totaling 4,786 minutes from 277,999 service minutes and five full-day billings from 650 service days of approved Medi-Cal billings for September and October 2009, which were the most current billings available at the time of our review (May 2010). We reviewed the Assessments, Progress Notes and Weekly Summaries maintained in the clients' charts for the selected billings. The 4,786 minutes and five days represent services provided to 25 program participants. In addition, we reconciled an additional 76 service days billed for the Day Treatment Intensive (DTI) Program to the client sign-in sheets.

Results

Generally, SCHARP maintained documentation to support the service minutes sampled. However, SCHARP did not always complete some elements of the Assessments and Client Care Plans in accordance with the County contract requirements.

Assessments

SCHARP did not complete the Assessments in accordance with the County contract for 19 (76%) of the 25 clients sampled. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. Specifically:

- Eleven Assessments did not adequately describe the symptoms and behaviors exhibited by the clients to support the Agency's clinical diagnosis. The County contract requires Agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients.
- Eight Assessments did not contain the client's developmental history information required by the County contract.
- Two clients' charts did not contain the annual Assessment Updates. The County contract requires Agencies to assess clients' needs annually to ensure that services continue to be necessary. A similar finding was also noted during our prior monitoring review.

The number of incomplete Assessments above exceeds the total number of Assessments in question because some contained more than one deficiency.

Client Care Plans

SCHARP did not complete Client Care Plans for 16 (64%) of the 25 clients sampled in accordance with the County contract. A similar finding was also noted during our prior monitoring review. Specifically:

- Sixteen Client Care Plans were not individualized and did not relate to the clients' needs identified in their Assessments.
- Twelve Client Care Plans contained goals that were not specific.
- Two charts did not contain Client Care Plans for each type of treatment provided.

The number of incomplete Client Care Plans above exceeds the total number of Client Care Plans in question because some contained more than one deficiency.

Recommendation

1. **SCHARP management ensure that Assessments and Client Care Plans are completed in accordance with the County contract.**

STAFFING LEVELS**Objective**

Determine whether SCHARP met the staffing levels requirements for the DTI Program in accordance with the County contract.

Verification

We selected five days that SCHARP billed for the DTI Program in September and October 2009 and reviewed the clients and staff sign-in sheets and staff timecards.

Results

SCHARP did not meet the staffing levels for two (40%) of the five days sampled. Specifically, SCHARP:

- Did not meet the staff to client ratio requirements for one (20%) of the five days sampled. Specifically, staff assigned to DTI Program on that day were not Qualified Mental Health Professional staff.
- Did not provide multi-disciplinary staff for two (40%) of the five days sampled. The County contract requires Agencies to provide multi-disciplinary staff when providing DTI to more than 12 clients.

Recommendation

2. **SCHARP management ensure that appropriate staffing levels are maintained using qualified staff to comply with the County contract.**

STAFFING QUALIFICATIONS**Objective**

Determine whether SCHARP treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 15 of the 75 SCHARP treatment staff who provided services to DMH clients during September and October 2009.

Results

Each employee in our sample possessed the qualifications required to provide the services billed.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash and other liquid assets.

Verification

We interviewed SCHARP's management and reviewed the Agency's financial records. We also reviewed the Agency's bank reconciliation for March and April 2010.

Results

The Agency maintained adequate controls to ensure that revenue, cash and liquid assets were properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether SCHARP's Cost Allocation Plan is prepared in compliance with the County contract and used to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and selected 30 shared expenditures totaling \$109,557 to ensure that the expenditures were appropriately allocated to the Agency's programs.

Results

SCHARP's Cost Allocation Plan was prepared in compliance with the County contract. However, SCHARP allocated \$9,385 to the DMH program for leasing a facility not used by the DMH program during Fiscal Year (FY) 2009-10.

Recommendations

SCHARP management:

3. Reduce the FY 2009-10 DMH program expenditures by \$9,385.
4. Ensure that only allowable expenditures are allocated to the DMH program.

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately charged to the DMH and Wraparound Programs.

Verification

We reviewed financial records and documentation to support six Wraparound expenditures totaling \$5,025 and 34 DMH expenditures totaling \$89,419 between July 2009 and April 2010.

Results

SCHARP's Wraparound Program expenditures were allowable, properly documented and accurately charged to the program. However, SCHARP charged DMH \$2,316 for expenditures that were not supported by the consultant agreements.

Recommendations

SCHARP management:

5. Provide documentation to support the \$2,316 or reduce the reported FY 2009-10 DMH program expenditures.

6. Ensure that program expenditures are supported by adequate documentation.

FIXED ASSETS

Objective

Determine whether fixed asset depreciation costs charged to DMH were allowable under the County contract, properly documented and accurately billed.

We did not perform test work in this area, as SCHARP did not charge the Wraparound and DMH Programs for fixed asset depreciation costs during FY 2008-09.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the DMH and Wraparound Program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures totaling \$61,590 for 23 employees to the payroll records and time reports for the pay period ending April 15, 2010. We also interviewed 16 employees and reviewed personnel files for the 23 employees.

Results

Generally, SCHARP's payroll expenditures were appropriately charged to the Wraparound and DMH programs and the Agency maintained personnel files as required. However, SCHARP did not maintain an independent Board of Directors. Specifically, three (60%) of the five board members were also employed as the co-Directors and the Executive Administrator. The California Corporations Code does not allow more than 49% of the board members to be "interested persons". "Interested persons" include any director who has received payment for services rendered within the past 12 months whether as an employee or an independent contractor.

Recommendation

7. SCHARP management maintain an independent Board of Directors in accordance with the California Corporations Code.

COST REPORT

Objective

Determine whether SCHARP's DMH FY 2008-09 Cost Report reconciled to the Agency's accounting records.

Verification

We traced the Agency's FY 2008-09 DMH Cost Report to the Agency's accounting records.

Results

SCHARP's Cost Report reconciled to the Agency's accounting records.

Recommendation

None.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued on June 4, 2007.

Results

The prior year's monitoring report contained 17 recommendations. SCHARP implemented 14 recommendations, did not implement two recommendations, and one recommendation is no longer applicable. As previously indicated, the two outstanding recommendations related to Recommendation 1 contained in this report.

Recommendation

8. SCHARP management implement the outstanding recommendations from the prior monitoring report.

SOUTH CENTRAL HEALTH & REHABILITATION PROGRAM

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September 8, 2010

Wendy L. Watanabe, Auditor - Controller
County of Los Angeles – Department of Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

RE: South Central Health & Rehabilitation Program Contract Compliance Review Response

This letter is in response to the Contract Compliance Review that began May 24, 2010 for the South Central Health & Rehabilitation Program (SCHARP) program services.

We appreciated the efficiency and professionalism with which the Auditor Controller staff conducted the contract compliance review.

Below are listed the Auditor - Controller recommendations and the agency's plan to address the recommendations.

Billed Services

1. SCHARP will schedule additional training for its staff in the areas of Assessment and CCCP completion. Additionally, the agency will change the timeliness of its monitoring of Assessment, Annual Assessment Update and CCCP completion so as to provide more immediate feedback to staff on areas needing improvement.

Staffing Levels

2. SCHARP management will ensure that appropriate DTI program staffing levels are maintained using qualified staff to comply with the County Contract.

Staffing Qualifications

We are pleased that no recommendations were made.

Cash/Revenue

We are pleased that no recommendations were made.

Cost Allocation Plan:

3. We will reduce the FY 2009-10 costs charged by \$9,385.

South Central Health & Rehabilitation Program
Contract Compliance Review Response

Page 2 of 2

4. We were using a facility for storage until we fully understood the requirement of programs that were transformed into new programs. However, we are now aware of the rules relating to the leasing of facilities and will adhere to those rules in the future.

Expenditures

5. We will reduce the FY 2009-10 DMH program expenses by \$2,316.
6. In general, we believe that proper controls are in place, but we will strive to be more diligent in retaining adequate documentation for transactions in the future.

Fixed Assets

We are pleased that no recommendations were made.

Payroll and Personnel

7. SCHARP will insure that the composition of the Board will conform to The California Corporation Code.

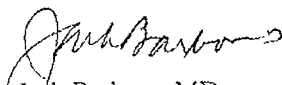
Cost Report

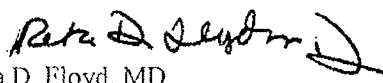
We are pleased that no recommendations were made.

Prior Year Follow-Up

8. SCHARP will continue to implement corrections from previous Contract Review.

Sincerely,


Jack Barbour, MD
Co-Director


Reta D. Floyd, MD
Co-Director